

Message Text

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C O N F I D E N T I A L STATE 167586

AFDROUGHT

E.O. 11652: GDS

OUAGADOUGOU FOR EASUM AND SPENCER, ROME FOR FODAG

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FROM WILLIAMS

SUBJECT: STABILIZING DEMAND ON US PL 480 COMMODITY SUPPLY

SUMMARY: THIS CABLE PROPOSES A CHANGE IN USG POLICY REGARDING PL 480 TITLE II GRAINS FOR THE SIX DROUGHT AFFECTED COUNTRIES IN THE SAHEL REGION. EMBASSIES/ADOS ARE REQUESTED TO COMMENT BY PRIORITY CABLE UPON THE PROPOSAL THAT MORE OF THE GRAIN CURRENTLY AUTHORIZED BE MADE AVAILABLE FOR SALE BY RECIPIENT COUNTRIES, WITH PROCEEDS OF SALE GOING FOR EMERGENCY RELIEF AND REHABILITATION PURPOSES. END SUMMARY.

1. WE TAKE CONSIDERABLE PRIDE IN MAGNITUDE USG FY 973 PL 480 COMMITMENT FOR DROUGHT RELIEF, AND THE UNQUESTIONED IMPACT IT HAS HAD IN SAVING LIVES. ALL THOSE IN THE UNITED STATES AND OVERSEAS INVOLVED IN THE OPERATION CAN BE PROUD OF THEIR EFFORTS IN SECURING AND MOVING THE GRAIN IN A TIMELY AND EFFECTIVE FASHION. EVEN WITH THE CURRENT UNCERTAIN AVAILABILITY OF U.S. FEED GRAINS, THE AREA'S PROBLEMS ARE DEEMED SUFFICIENTLY IMPORTANT THAT USG AUTHORIZED 100,000 MT IN THE FIRST QUARTER OF FY 1974 UNDER PL 480, THE FIRST SHIPMENT OF WHICH WILL BE LEAVING THE U.S. THIS WEEK.

2. WE HAVE COMMITTED OURSELVES TO WORKING CLOSELY WITH THE ENTIRE INTERNATIONAL DONOR COMMUNITY TO ASSURE CONTINUED FLOWS OF FOOD, AS NECESSARY, FOR THE DURATION OF THE EMERGENCY. IT IS PRUDENT, HOWEVER, FOR ACTION POSTS IN THE FIELD TO CONTINUE TO INSURE THAT ANY FUTURE REQUESTS FOR COMMODITY ASSISTANCE ARE MADE ON AN EQUITABLE BASIS TO ALL DONORS, NOT JUST THE U.S. WE MUST CAREFULLY MANAGE OUR FOOD AID SO AS TO FIRST AVOID INCREASING DEMAND PRESSURES ON U.S. COMMODITY SUPPLIES, AND SECOND, IF SUCH DEMAND PRESSURES DO ARISE, TO INSURE THAT THEY ARE NOT DIRECTED AT THE U.S.G. ALONE.

3. AT THIS POINT THE U.S. IS PROVIDING THE LARGEST SHARE OF FOOD ASSISTANCE, ALMOST 50 PERCENT OF DONATED COMMODITIES (EXCLUSIVE OF IMPORTS) FLOWING INTO THE REGION. SINCE SORGHUM IS A NORMAL CROP IN THE AREA, AND IS BEING DISTRIBUTED FREE IN MANY AREAS, RECIPIENTS HAVE SHOWN A CONFIDENTIAL

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MARKED PREFERENCE FOR U.S. GRAIN. IT IS ALREADY APPARENT TO US THAT WE CANNOT FULLY MEET EXISTING DEMANDS WITH FREE GRAIN. WHILE FREE GRAIN DISTRIBUTION IS ESSENTIAL IN SITUATIONS OF DIRE NEED, STEADILY INCREASING REQUESTS MAY BE DUE TO LACK OF REAL OR ARTIFICIAL CONSTRAINTS ON DEMAND.

4. AS A RESULT OF SAM ADAM'S RECENT TRIP TO THE AREA, AND DISCUSSIONS WITH GOVERNMENT OFFICIALS, IT BECAME APPARENT THAT:

(A) AT LEAST SOME OF THE GOVERNMENTS ARE STRONGLY INTERESTED IN THE POSSIBILITY OF SALE OF FOOD TO RECIPIENTS WHO CAN PAY RATHER THAN DISTRIBUTING GRAIN FREE TO EVERYONE;

(B) A LARGER PORTION OF THE POPULATION THAN PREVIOUSLY KNOWN (BOTH URBAN AND RURAL) MAY HAVE CASH AND ARE NOT

ADVERSE TO PAYING FOR FOOD;

(C) THOUGH WE ARE HOPEFUL THAT THE DROUGHT AFFECTED COUNTRIES WILL ENJOY GOOD HARVESTS, IT SEEMS UNLIKELY THERE WILL BE SUFFICIENT HARVEST TO MEET MINIMUM NEEDS, LET ALONE THAT ANY MAJOR PORTION OF STOCKPILES CAN BE REBUILT;

(D) FUTURE REQUIREMENTS FOR US SORGHUM FACE PROBLEMS OF TIGHT SUPPLY, AND WHATEVER GRAIN WE NOW SUPPLY MUST NOT ONLY MEET IMMEDIATE NEEDS BUT - TO THE EXTENT POSSIBLE - PROVIDE SOME MARGIN OF SAFETY FOR THE FUTURE.

(E) COUNTRIES WOULD BE BETTER ABLE MEET PRESENT CRISIS IF INACTIVE PRIVATELY OWNED CURRENCY COULD ALSO BE USED FOR DROUGHT RELIEF ACTIVITIES.

5. IT IS FULLY RECOGNIZED THAT FOOD SUPPLIES ARE NOT UNIFORM IN EACH OF THE SIX STATES; NOR ARE THE OPTIONS FOR MANAGING SUPPLIES OF EMERGENCY GRAINS THE SAME FOR VARIOUS PARTS OF EACH COUNTRY. THE MARGINS OF FOOD SUPPLY AGAINST EMERGENCY NEEDS ARE MORE CRITICAL IN SOME COUNTRIES THAN OTHERS. THEREFORE, IN LIGHT OF THE DESIRES EXPRESSED BY

SOME GOVERNMENT OFFICIALS TO PERMIT CASH SALES, TO ALLOW GREATER FLEXIBILITY IN THE DISTRIBUTION OF AVAILABLE SORGHUM TO SUPPLY TO EACH COUNTRY, AND NOTING THAT THE TITLE II PURPOSE FOR WHICH PL 480 COMMODITIES ARE FURNISHED HERE IS TO MEET FAMINE OR OTHER URGENT OR EXTRAORDINARY RELIEF REQUIREMENTS, YOU ARE URGENTLY REQUESTED TO REVIEW YOUR COUNTRY SITUATION AS TO:

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(A) THE POSSIBILITIES FOR REASONABLE EQUITY, SO AS TO INSURE THAT NEEDY PEOPLE UNABLE TO BUY GRAIN RECEIVE SOME OF THE USG DONATED GRAIN IS SOLD DURING DISTRIBUTION. UNDER SUCH CIRCUMSTANCES, DISTRIBUTION OF FREE SORGHUM WOULD BE RESERVED FOR THOSE NEEDY GROUPS OR INSTITUTIONS WHO CANNOT AFFORD TO PAY, ALTHOUGH INDIVIDUAL GOVERNMENTS WOULD BE EXPECTED TO DEFINE SUCH NEEDY GROUPS IN CONCERT WITH THE USG. WHERE SORGHUM IS NOW BEING SOLD AT A "PRIX DERISOIRE", WHAT UPWARD ADJUSTMENTS ARE POSSIBLE AND DESIRABLE? WHAT GROUPS ARE BEING DISADVANTAGED UNDER CURRENT FREE DISTRIBUTION SYSTEM AND WHAT TYPE OF SALES PROGRAM WOULD YOU SUGGEST TO AMELIORATE THE PRESENT INEQUITABLE DISTRIBUTION? ASSUMING A SALES PROGRAM IS FEASIBLE, ARE THERE DROUGHT RELATED ACTIVITIES NOT CURRENTLY UNDERWAY AIDED BY DEVELOPMENT OF A COUNTERPART FUND?

(B) FOR EXAMPLE, RECOGNIZING THE POLITICAL SENSITIVITY AND THE POTENTIAL DIFFICULTIES OF DIFFERENTIATING BETWEEN WAYS OF SATISFYING URBAN AND RURAL FOOD NEEDS, CAN PRIORITY FOR DISTRIBUTION OF SORGHUM BE RESERVED FOR RURAL AREAS WHERE OPPORTUNITIES FOR USE OF OTHER AVAILABLE FOOD SUPPLIES ARE LESS THAN WOULD BE TRUE FOR URBAN AREAS?

(C) WE HAVE LITTLE FIRM INFORMATION ON HOW OTHER DONOR COMMODITIES ARE DISTRIBUTED AND WHETHER THEY ARE SOLD OR DONATED. WHAT WILL BE EFFECT OF SALE OF US COMMODITIES ON OTHER DONOR PROGRAMS?

(D) WILL AN EMERGENCY SALES PROGRAM ALLOW AN EASIER TRANSITION BACK TO A GRAIN STABILIZATION PROGRAM?

6. ACTION REQUESTED. POSTS ARE AUTHORIZED TO DISCUSS WITH GOVERNMENTS POSSIBLE ARRANGMENTS LEADING TO INCREASED SALE OF US DONATED SORGHUM TO RECIPIENTS WHO CAN AFFORD TO PAY. THIS WOULD COVER ALL US BILATERALLY DONATED GRAINS ARRIVING IN AREA REGARDLESS OF THEIR PROGRAM SOURCE, I.E., GRAIN STABILIZATION AND BILATERAL EMERGENCY. RECEIPTS FOR

PAYMENTS WOULD BE USED TO MEET DROUGHT EMERGENCY REQUIREMENTS AS POSTS AND HOST COUNTRIES AGREE. IT SHOULD BE CONFIDENTIAL

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CLEARLY UNDERSTOOD THAT NEGOTIATION FOR EMERGENCY SALES PROGRAM WOULD BE CONDUCTED WITHIN FOLLOWING PARAMETERS:

(A) THERE IS NO COMMITMENT FOR SALES OF EMERGENCY GRAIN BEYOND THAT WHICH HAS ALREADY BEEN PROVIDED OR COMMITTED;

(B) ANY AGREEMENT WITH THE RESPECTIVE GOVERNMENT WOULD APPLY ONLY TO UNALLOCATED STOCKS IN COUNTRY AND GRAIN YET TO BE DELIVERED;

(C) THERE WOULD BE JOINT AGREEMENT ON USE OF SALES PROCEEDS FOR DROUGHT RELATED RELIEF, RECOVERY, AND REHABILITATION ACTIVITIES;

(D) THERE WOULD BE JOINT AGREEMENT ON THE CRITERIA FOR DETERMINING WHO IS NEEDY.

7. IF RESPONSE TO IDEA OF INCREASED SALES FAVORABLE, AID/W WILL MAKE DANIEL SHAUGHNESSY, CHIEF PL 480 TITLE II PROGRAM, AVAILABLE IMMEDIATELY TO ASSIST IN DEVELOPING SALES PROCEDURES, CRITERIA FOR FREE DISTRIBUTION, AND METHODS OF SALES PROCEEDS USE.

8. FOR FORT LAMY AND YAOUNDE. REQUEST COMMENTS AND ANALYSIS ONLY. DO NOT REPEAT NOT WISH TO RAISE POSSIBILITY SALES US GRAIN WITH GOC AT THIS TIME. ROGERS

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<< END OF DOCUMENT >>

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